

Community Impenitent After U.S. Black's Death

New York Mayor's Effort to Confront Racism Rebuffed by White Residents

By Joyce Purnick
New York Times Service

NEW YORK — Mayor Edward I. Koch of New York City, in a church in Howard Beach, N.Y., in search of what he called an "honest" and "forthright" discussion about race relations. He was interrupted, booed, shouted down and snubbed.

Some people refused to enter the church because Mr. Koch was there, and others walked out as he stood before them in Our Lady of Grace Roman Catholic Church, a sister school where a 23-year-old black man, Michael Griffith, lost his life Dec. 20 in a racial attack by a group of white men.

Mr. Griffith, one of four black men in a car that had broken down, had been pursued through the streets by a group of white men shouting "Nigger, get out of here!" and "Kill him, he's a nigger!" Mr. Griffith was beaten twice with a golf club, trying to escape further beatings, he ran in front of a car while trying to cross a highway.

"Shouts of 'Go home,' 'Resign' and 'You have no right here,' greeted the mayor as he entered the church," the mayor said, "they don't represent you, they don't. Absolutely not."

"So why are you here?" shouted Mary Slater, who has lived in Howard Beach for 21 years.

"We are not a racial community," the mayor beamed. He was interrupted, going on to say that her neighbor-



Howard Beach residents during a demonstration Saturday protesting the death of a black in the Queens district.

hood was not racist, that people lived in harmony. Seconds later, he offered a different perspective.

"Where are you when we were going to work and we're being robbed and mugged, mainly from these poor, underprivileged people coming into our neighborhood?" he asked to cheers from many of the congregants.

The mayor kept saying that racism existed everywhere, that the only way to address it was to acknowledge it and discuss it.

People in the congregation asked the mayor why the black men who were attacked early on Dec. 20 had entered Howard Beach, some distance from where the police say the attack took place.

"I don't know, and I can tell you this," the mayor began. He was interrupted, "Hold on, hold on," he continued.

Friend Says Reagan 'at Peace' at Year-End

By Bernard Weinraub
New York Times Service

LOS ANGELES — As Ronald Reagan speaks the last words of a troubled year in relative seclusion in Los Angeles and Palm Springs, Calif., he and his wife Nancy are surrounded by friends with longtime friends.



Charles Z. Wick

One of these friends, Charles Z. Wick, director of the U.S. Information Agency, has been especially close to the president in recent days. Mr. Wick spent Christmas Eve and Christmas Day with Mr. Reagan and his wife Nancy at the estate of Walter H. Annenberg, a millionaire publisher who is a friend of the Reagans.

The president has great resilience, great self-confidence, his mood is certainly not one of being battered," said Mr. Wick, a former State and Defense. I would never do anything in a personal way unless I thought it was in the national interest."

Mr. Wick declined to say if he had discussed with Mr. Reagan the possibility of staff changes, including the resignation of Donald T. Regan, chief of staff.

Mr. Wick himself, after a relatively stormy start in his USA post, has not only survived the criticism but also expanded his role.

What is perhaps most curious about Mr. Wick's tenure at the USA, according to officials there, is the relatively conciliatory efforts toward the Soviet Union in recent years.

Initially, Mr. Wick was one of the most vocal anti-Communist voices in the administration.

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U.S. and Iran Managua Pursues 'Forward Defense' Resume Talks

Strategy Uses Intelligence, Border Conflicts to Stop Contras On Assets

By Bernard E. Trainor
Washington Post Service

WASHINGTON — The Nicaraguan government is pursuing a military strategy of "forward defense" in its war against the U.S.-backed rebels, Sandinista officials say.

The strategy is designed to keep the rebels, known as contras, out of Managua, the capital, by aggressively engaging them along the Honduras-Nicaragua border.

Colonel Javier Carrion, who identified himself in a recent interview as the Sandinista officer in charge of the contra strategy, said the strategy had proved successful. The rebels, he said, are so busy defending themselves along the border that they have little time to infiltrate guerrilla units into Nicaragua.

The Sandinistas say that in 1986, 4,000 contras were killed trying to establish bases in Nicaragua. Contra sources in Honduras say this is a gross exaggeration of their casualties, but they declined to provide alternative figures. Sandinista losses were put at 1,000.

Most of Nicaragua's 72,000 troops are tied up in operations along the border and in the interior of Nicaragua. Tank-equipped units, however, were held in readiness for what the Sandinista government assets is an imminent invasion of Nicaragua by the United States.

Sandinista estimates of the number of contras now in the country are put at 1,000, with most of them in the mountainous department of Chontales, in south-central Nicaragua. American sources agree on where the contras are, but they put their numbers at about 4,000.

People connected with the contra in Honduras say it takes about three months for a group of rebels to make their way south to Chontales from their Honduran base camps. These sources also say the Sandinista forward strategy makes infiltration difficult, but not impossible.

The renewal of American military aid to the contras, they say, will allow more guerrilla teams to be trained and equipped, and infiltration will increase in 1987. A U.S. military officer in Tegucigalpa, the Honduran capital, said he believes the contras must double the number of troops now within Nicaragua before they can undertake significant operations against the Sandinistas.

In describing the Sandinista forward strategy, Colonel Carrion said it was based on good intelligence of contra plans and movements. Some of this intelligence comes from the interception of contra radio messages, he said, but it also comes from Sandinista agents serving undercover with the rebels.

U.S. officials say that Sandinista intelligence is excellent and also acknowledge that the Sandinistas have penetrated the contra command structure.

Based on the information collected, the Sandinistas send reconnaissance teams of about seven men each. These teams seek to find the contras as they cross the border from Honduras. Their job then, according to Colonel Carrion, is to provide accurate information on the size, activity, location and equipment of the rebels.

Once the Sandinistas have this information, larger units are dispatched to intercept and engage the contras. There generally are two types of Sandinista units that can be used. These are "hunter-killer" units, known as cazadores, which are lightly armed and number about 350 men each.

Another option is to use one or more of 10 light infantry battalions, specially trained for combat against the contras. These units, known by the initials BLI, are light by normal military standards, but nonetheless are fairly powerful forces made up of about 800 men each and armed with machine guns and mortars.

Units of both types are deployed along and near the Honduran border, but none of the U.S. or suspected infiltration routes. The cazador units normally have prescribed areas to defend, while BLI units are more mobile.

When a contra infiltration effort is detected, one or both types of units are sent into action.

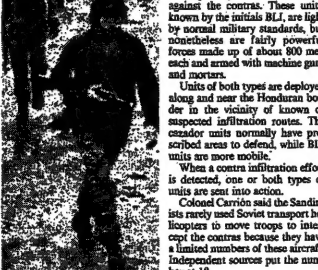
Colonel Carrion said the Sandinistas rarely used Soviet transport helicopters to move troops to intercept the contras because they have a limited number of these aircraft. Independent sources put the number at 18.

Movements in the rugged mountain border area, according to the Sandinista officer, is normally by foot, supplemented by mules and horses.

The Sandinistas deny that any of their forces operate inside Honduras, but both U.S. and contra sources say that there are always Sandinista forces in Honduras and that Sandinista army is positioned as close to the border as it can get to provide deep fire support.

This is particularly true in the Las Vegas Salinas, where a wedge-shaped sector of Honduran territory juts into Nicaragua. It was in this area, a favorite infiltration spot for the contras, that fierce fighting erupted early this month.

Usually reluctant to acknowledge that Sandinistas are in their territory, the Hondurans accused the Nicaraguans of overrunning Honduran border posts during the battle. The Hondurans responded by reinforcing the area with the support of American helicopters and by conducting an air strike against Sandinista positions.



Patrol searches for rebels at farm north of Managua.

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Small Wins Re-Election
Mogadishu, Somalia — President Mohamed Siad Barre was officially declared the winner Sunday of a further seven-year term following presidential elections last week. The electoral commission said Mr. Siad Barre won 99.93 percent of the 4.3 million votes cast in the Dec. 22 poll in which he was the only candidate.

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Scotland's first malt whisky.



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ARTS / LEISURE

The Year Fun Came Back into Fashion

International Herald Tribune
PARIS — The Fashion Year that has been characterized by a switch from safe and classic to wild and wacky. The credit went to Christian Lacroix, who has been designing the Patou couture collection for five years.

Lacroix, who soared to fame after winning the French Golden Thimble award, is being acknow-

HEBE DORSEY

edged right and left. The Council of Fashion Designers of America is giving him an award on Jan. 12 in New York for "giving a shot to the arm to the fashion industry." Newsweek lists him among its favorite bright and beautiful personalities for 1986.

Lacroix brought a fresh direction and a sense of humor, a feeling that fashion need not be so serious after all. From Milan to New York, his puffy dresses and crazy hats spread rapidly, encouraging a revival of young designers to let go with very positive results.

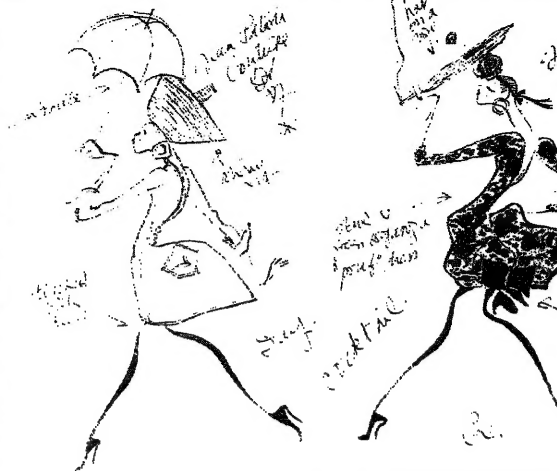
In London, Vivienne Westwood, who had slipped out of the limelight, was back with a much-copied collection. Serious establishment designers such as Emanuel Ungaro and Valentino were caught in the wave, while Karl Lagerfeld, who has always had a distinct dose of wit, let it all hang out. Seventh Avenue designers tried their hand at retro-futurism but their efforts were more padding than soulful.

The response has been terrific. Conservative Americans socialize such as Susan Ostrander and Jane Wrigglesworth started shopping at Patou's. At a recent dinner party in Paris, given by the fabric designer Manuel Canovas to celebrate his retrospective at the Musée des Arts Décoratifs, Lacroix's wife came in dressed in his funny red puffy dress — and it was like a firecracker exploding in a sea of dull black dresses.

Otherwise, it's been a hard year for European fashion. Terrorism and the drop of the dollar kept a number of American buyers and reporters away.

Couture was an important influence on ready-to-wear designers, some of whom were lured into designing a new line. Among them was the Milanese Gianfranco Ferré, who showed a couture collection last summer in Rome. In the United States, this desire for high-toned exclusivity was caught in Calvin Klein designed a couture line for Bergdorf Goodman.

The main waves of fashion still swirled around Milan, Paris, London and New York. The best of the Japanese designers showing in Paris, but not perceived as fashion



Christian Lacroix, Golden Thimble winner in '86, sketched predictions for '87.

aliens any more, moved to close the East-West gap. Their clothes had more shape, more color and, for the first time, a faint sense of humor. As usual, the Milan collections, anchored on fine fabrics and tailoring, were strong in a safe, predictable way. Giorgio Armani mellowed his tailored look until it became positively girlish. In the same mood, Gianni Versace continued his soft seduction act.

One way or another, Italian designers had their eyes firmly glued on Paris. Versace held a retrospective of his work, as seen through the lenses of the world's greatest photographers, at the Musée de la Mode et du Costume, at the Palais Galliera in Paris. Armani, who is opening a boutique on Place Vendôme in Paris at the end of January, is planning to open scores of less expensive Emporio Armani stores across Europe. Ennio Co-

lombo, whose \$100-million business is the national sales tax, opened his first store and took an apartment in Paris.

Ivan Saint Laurent, who once dominated the scene, was out-

tanced by the new wave. His risk-taking collections were terribly elegant and terribly déjà vu. However, the house of Saint Laurent is doing fine. An investment by Oliviero Toscani, who introduced the Maxima's des Mers, a Belle Époque-decorated cruise boat, at a Residence Maxima's, his first of a hotel chain, and a Maxima's cooking school.

In London, the influence of Diana, Princess of Wales, who hosted a second fashion banquet last fall, resulted in the British designers cleaning up their act. British fashion moved toward salon elegance, with hair, high heels and white

gloves. Even the rebellious Katharine Hammett, who opened her first boutique in London, changed her tune.

There was also a new desire for British designers to make it on the international scene. The election of Jasper Conran, 26, son of Sir Terence Conran, as designer of the year, was significant — for he is doing with fashion what his father did with furniture for Habitat, a good, commercial, international job.

New York had one of its best years. Secure American designers stopped aping Europe. Fabrics, proportions and workmanship distinctly improved.

American sportswear was at its best thanks to Calvin Klein, Ralph Lauren and Donna Karan.

The best news in 1986 was the emergence of young talent. In Milan, the pure and austere Romeo Gigli, 37, was hailed as a new star. In Paris, Dick Branda, 36, Patrick Kelly, Martin Siboon and Adeline André stood out in a strong pack of new names. In London, Alistair Blair, John Galiano, Jasper Co-

ran and Rifat Ozbek were cutting more and more fashion in. Even in New York, once a no-no land for young talent, the situation was changing with designers like David Cameron, Marc Jacobs, Noborio and Ocasio, Isabel Toledo, Patricia Cyne and Angel Estrada acquiring credibility and new staying power.

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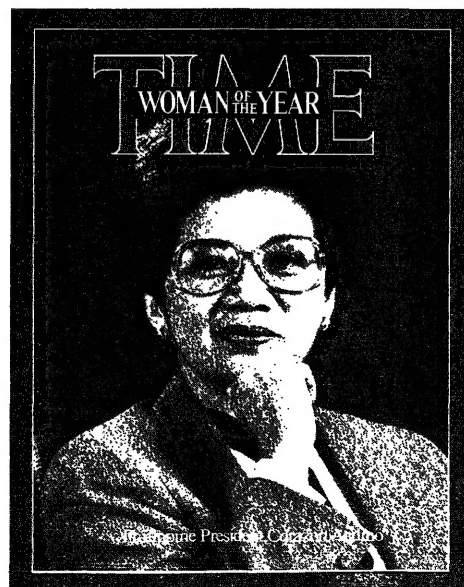
1986

History to some is a record of sorrow, a tragedy or cautionary tale. Yet last February in the Philippines, history became a fairy tale, a morality play in which corruption and redemption collided. A veteran ruler and his wife, looters of a land's riches and hope, were driven from office by a people united behind a bespectacled widow with no political experience.

The "housewife" in the yellow dress toppled clichés. She showed that force can speak softly and carry a small stick, that religion can be the stimulant of the masses. For resuscitating a nation's sense of identity and for her determination and courage in leading a democratic revolution, Corazon Aquino is TIME's Woman of the Year for 1986.

Disappointment may follow, but her legacy is clear: the promise of democracy without bloodshed holds up a candle of hope for dissidents in all the world's darker corners. As she told TIME in an interview for this issue, "All people really want is a chance to live in peace and the opportunity for a decent life."

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United Press International

Age Group	Percentage of Respondents
18-29	85%
30-49	80%
50-69	75%
70+	70%

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Stocks Index

NYSE	1,912.12	Down 18.28
AMEX	100.12	Down 0.12
NASDAQ	1,000.00	Down 10.00
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AMEX	100.12	Down 0.12
NASDAQ	1,000.00	Down 10.00

TUESDAY, DECEMBER 30, 1986

INTERNATIONAL STOCK MARKETS

'January Effect' Remains
Mysterious but Profitable

By ALEX BARNUM
Special to the Herald Tribune

NEW YORK — Wall Street watchers have rarely been at a loss for theories to explain the stock market's mysterious, but one of the most profitable, "January effect." Research has confirmed that stocks with small market capitalizations should average performance significantly better than large capitalizations in January. Nor is the January effect limited to Wall Street. It has been observed in a number of markets abroad.

In the United States, the effect has been documented at least back to 1926 and is there in every year except two, 1953 and 1959, according to Donald Kaim, an assistant professor of finance at the Wharton School of Business.

Academics and market professionals have long been intrigued by evidence that small capitalization stocks do better over time than larger stocks. In one of the original studies of "seasonal effects," Mr. Kaim found that 50 percent of this premium occurred in January, and half of that was concentrated in the first five trading days of the year.

Another researcher, Richard W. Roll, a vice president at Goldman, Sachs & Co., who is on leave from the University of California at Los Angeles, showed that the largest price differentials occurred on the last trading day of December and the first trading day of January, and decreased as the month progressed.

"The entire effect is actually attributable to the first few days," he said.

In new research, Mr. Kaim examined returns of companies on the New York Stock Exchange and the American Stock Exchange between 1965 and 1985. After ranking the companies by size into two groups, he showed that the smallest stocks gained the most, an average 13 percent on an annualized basis, over the largest stocks in January.

"The smaller the firm, the greater the January effects," Mr. Kaim said.

"The smaller the company, the greater the January effect."

U.S. Steel's Last Oases Drying Up

Middleman Service Centers Hurt by Own Success

By Jonathan P. Hicks
New York Times Service

NEW YORK — Good times are coming to an end for the only part of the U.S. steel industry that has been consistently profitable.

For the last five years, while the major steel producers' losses mounted, steel service centers flourished as one of the few oases of profit in the beleaguered industry. As the industry's middlemen, the centers buy steel from both domestic and foreign mills, then cut and shape it to customers' specifications.

The rise of steel service centers was a result of manufacturers becoming more and more reluctant to keep large inventories of steel products in their warehouses. The centers, playing an increasingly vital role in inventory control, began to profit by allowing manufacturers in the automobile, appliance and machinery industries to obtain the steel parts they needed when they were needed.

But, by all accounts, the centers' fortunes have begun to change. In recent months, they have come under pressure on several fronts. For one thing, the giant steel companies, well aware of the service centers' high profitability, have begun pressing for price increases on the products they sell to the centers.

Some analysts even see a shift into steel service by the large steelmakers themselves.

At the same time, the impact of the U.S. steel industry's dramatic overcapacity, coupled with a swelling number of service centers in the last five years, has eroded the centers' profitability.

"There is now a growing difficulty for steel service centers companies — particularly those in the lower end of the market," said Donald A.C. McGill, an independent New York steel consultant. "The market is overpopulated with competitors and the smaller companies do not have the ability to buy steel advantageously. That, and the slackened demand for steel, gives them little margin to survive on."

Some experts contend that the large steelmakers have taken on more steel-finishing

Workers handling steel at Dunham & Davis, a medium-size service center in Clifton, New Jersey.

Volkswagen-Ford Merger Is Facing a Bumpy Road in Argentina, Brazil

By Alan Riding
New York Times Service

RIO DE JANEIRO — Despite the contrasting market conditions in Brazil, where new cars are in great demand, and in Argentina, where the automotive industry is in a slump, the Ford and Volkswagen subsidiaries in both countries have one thing in common: They are operating deeply in the red.

Hoping to force strength out of weakness and, above all, profits out of losses, the two giant corporations announced plans in November to pool their resources and merge their subsidiaries in South America's two leading economies.

Industry analysts have described it as a creative attempt to remain in business.

The new company, Autolatina SA, is the potential to become the world's 11th-largest car manufacturer, capable of building 900,000 vehicles a year, and a market share of 61 percent in Brazil and 34 percent in Argentina. Owned 51 percent by Volkswagen AG and 49 percent by Ford Motor Co., it will have assets worth \$1.8 billion.

For Volkswagen, such a turnaround would be timely. In Brazil, where booming demand and tight credit conditions have helped the company in the bizarre position of losing money with every new car it sells, to losses are expected to rise from \$40 million in 1985 to



Wolfgang Sauer, left, the president of Volkswagen do Brasil, and Wayne Booker, the president of Ford Brasil.

company, was forced to reiterate that Ford would not be pulling out of Brazil.

"We have found a way of rationalizing the operations of the two groups to make them more competitive and profitable," Mr. Booker said.

When discussions between Ford and Volkswagen began two years ago, the idea was simply to merge their operations in Argentina to reduce costs during a prolonged recession. But when they later decided to combine their subsidiaries in Brazil, the project became more complex and ambitious, involving not only Brazil's much larger automotive market, but the possibility of increased trade in finished vehicles and parts between the two countries.

By embracing both countries, Autolatina also should benefit from the relative strength of the two companies. Volkswagen in Brazil, where its 39-percent market share makes it the country's leading car manufacturer, and Ford in Argentina, where it dominates the truck market and has at

Currency Rates

Cross Rates	Dec. 29
American	1.0000
British	1.6450
French	6.5455
German	1.3663
Italian	1.3663
Japanese	163.87
Swiss	1.4835
West German	1.3663
Yen	163.87

Source: Reuters. (S) Sterling, (F) Franc, (M) Mark, (Y) Yen, (S) Swiss, (W) West German. (L) London, (N) New York, (P) Paris, (R) Rome, (T) Tokyo, (W) West Germany, (Y) Yen.

Interest Rates

Rate	Dec. 29
1-month	7.00%
3-month	7.00%
6-month	7.00%
1-year	7.00%

Source: Federal Reserve Bank of New York.

Key Money Market Rates

Rate	Dec. 29
3-month T-bill	7.00%
6-month T-bill	7.00%
1-year T-bill	7.00%

Source: Federal Reserve Bank of New York.

Gold

Price	Dec. 29
Gold	\$380.00

Source: Federal Reserve Bank of New York.

Markets Closed

Stock markets were closed in Japan and South Korea Monday for holidays.

Telefonica Presses Bid on Eve of ITT-CGE Venture

By Axel Krause
International Herald Tribune

PARIS — Telefonica, Spain's government-controlled telephone company, was making a last-ditch effort Monday to join an international telecommunications consortium being established by Cte. General de Electricidad of France and ITT Corp. of the United States, French and Spanish company sources said.

But officials of state-owned CGE, which will control the new company, said in Paris that the final agreement between the companies would be signed by lawyers in Brussels on Tuesday, as scheduled, whether or not Cte. Telefonica Nacional de España SA joined the partnership.

"We are still in the process of waiting for the issue with the Spanish government, and they could come in any or even last minute, but we are going ahead," a CGE executive said.

Telefonica has planned to take a 10-percent interest in the venture and invest about \$300 million.

But snags have arisen over the company's industrial and financial involvement.

Following the signing in Brussels, CGE is expected to disclose the identity of the French bank or financial group negotiating for a minority share in the new company, the French executive added.

No further disclosures about the venture are planned until Pierre Saur, chairman of CGE, and René Araskat, ITT's chairman, discuss a new conference in Brussels scheduled for Jan. 7.

The new company, which will be operated from Brussels and has been tentatively established as an Amsterdam-based company called Telegrafcom NV, will group ITT's European interests.

It will be the world's second-largest telecommunications group after American Telephone & Telegraph Co., with estimated annual revenues of \$12 billion and 120,000 employees.

As previously announced, ITT is expected to obtain a 35-percent in-

terest, while CGE and several minority partners would take 65 percent. With CGE retaining majority control.

Société Générale de Belgique, Belgium's largest financial holding company, and the unnamed French bank are expected to split the remaining shares with Telefonica.

However, major snags remain unresolved, involving what a Telefonica source in Madrid described as "broader cooperation" in the venture.

"We want more than just financial sharing, but something to say about management," the source said.

That, he said, would involve cooperation in developing new telecommunications systems, and financial help in absorbing the costs of laying off 6,000 employees of two ITT units in which Telefonica has minority shares.

The two units, Standard Electrica de España SA and Marconi Española SA, will become part of the new venture regardless of whether Telefonica joins, an ITT spokesman in New York said.

The Telefonica spokesman said that the company's chairman, Luis Solana, "is talking with the technicians, and we have made some proposals."

ITT and CGE executives, speaking privately, said they were not optimistic that CGE would make major new concessions to Telefonica, but hoped that a compromise agreement might still emerge.

Previously, both companies argued that the problems of the two ITT units existed before the consortium was established last July and that a rescue plan, including layoffs, could be organized separately with costs absorbed by Telefonica and the Spanish government.

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U.S. Tool Orders Decline Again

WASHINGTON — U.S. machine tool orders fell 26.3 percent in November to \$132.7 million from an upwardly revised \$180.1 million in October, the National Machine Tool Builders Association said Monday, confirming that the American industry is in for a difficult year in 1987.

In its monthly statistical report, the trade association also said that November orders were off 32.0 percent from orders of \$195.1 million in November 1985. It had reported last month that October tool orders totaled \$176.0 million.

The trade group said orders for metal-forming tools fell 1.1 percent last month compared with October, while orders for metal-cutting tools were off 35.8 percent from October.

FOREIGN & COLONIAL RESERVE FUND

A.U.S. DOLLAR "NEETS" AT 18.28%
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BUSINESS ROUNDUP

Nissan to Restructure; Cites Declining Profits

TOKYO — Faced with sharply declining profits both in Japan and abroad, Nissan Motor Co. has announced a major reorganization to bolster its sales and marketing operations.

The announcement Sunday followed reports by Nissan, Japan's second-largest automaker, that it had posted a substantial drop in profits, both because of export sluggishness caused by the strong yen and its declining share of the domestic car market.

The announcement said the company would restructure and reorganize its domestic and international sales operations and set up new product planning and marketing groups as part of the restructuring.

Nissan is "building a tough, lean corporate structure that can cope with sudden, unexpected changes in the business environment," the announcement said.

The company's international sales division will be reorganized into four regional groups, with each group using sales strategies that relate to that area, the announcement said. It added that the London office and the European Corporate Office in Brussels would be merged into a new European office.

Production in Britain, where Nissan started building cars in 1984 at an annual rate of 24,000, is to be raised to 100,000 units in 1991.

Reflecting the year's nearly 40-percent appreciation against the U.S. dollar, the company reported in November that its non-consolidated net income for the six months ended Sept. 30 had fallen 38.3 percent from the year-earlier period. Profit before taxes was reported to have plunged 55 percent, despite an increase in shipments to more than 60,000 units.

Automobile industry sources said that Nissan's share of the Japanese car market has declined sharply since the takeover of the company by Toyota Motor Corp., which steadily grows.

People Express Shareholders Narrowly Approve Buyout

NEWARK, New Jersey — Stockholders of People Express Inc., the pioneer in no-frills airline travel, voted narrowly Monday to sell the near-bankrupt company to

GM Hits Record In Europe Sales

DETROIT — General Motors Corp. said Monday that it will have sold more than 1.27 million cars in Europe by the end of 1986, a company record.

GM said European sales for its European-made Vauxhall and Opel cars this year were 63,000 higher than in 1985, a gain of 5.4 percent. But the company's share of the European market slipped to 11.1 percent from 11.5 percent, making it behind Ford, Volkswagen and SEAT, Fiat, and Ford of Europe.

It said that U.S. sales slumped to just over 1.9 million through Dec. 10, the latest period for which figures were available, or 2.4 percent below levels a year earlier.

Iacocca Says He'll Stay at Chrysler

By Richard Walker

DETROIT — Lee A. Iacocca, who piloted Chrysler Corp.'s financial restructuring, intends to remain as chairman of the carmaker until he turns 65 in late 1989 and maybe longer if he still finds the job "fun."

In a year-end interview, Mr. Iacocca, 62, also said that Chrysler, the No. 3 U.S. automaker, expects its profits to average more than \$1 billion a year after taxes over the next five years.

The forecast, he said, is based on plans for Chrysler to offer more profitable vehicles in coming years and to expand its share of the North American market.

Mr. Iacocca, who gained fame for leading the revival of a once near-bankrupt Chrysler, said he would stay in the auto business "for sure — for certainty" at least until his 65th birthday.

"I'm so sure of that, I'd bet money on it if I were you people," he told journalists.

"I want to make sure I don't have any political desires of any kind, believe me."

Mr. Iacocca has repeatedly disavowed any interest in running for the White House in 1988, despite a consistently strong showing in political polls. He said he might decide to stay at Chrysler past age 65, but that, "depends on how tired I am."

"If it's fun, it's fun and if it's not, you get out," he said. "Let's just keep it at three more years for now, he said."

Mr. Iacocca said that new upscale vehicles being planned would swell the average profit margins Chrysler earns on its vehicles for the next two years.

"I don't see how we could do less than \$1 billion a year after taxes unless the roof caves in," he said.

Chrysler's profits for the first nine months of 1986 were \$1.08 billion, a 24-percent decline from \$1.42 billion for the comparable 1985 period. For this year, analysts expect Chrysler's profit to jump to about \$1.4 billion, from \$1.65 billion in 1985.

Mr. Iacocca declined to comment on the outlook for the fourth quarter or the first quarter of 1987, except to say that the final three months of a year "are usually pretty good — you can draw your own conclusions" and that first-quarter profits would be adversely affected by previously scheduled plant closings over for new models.

The company, he said, plans to

"I want to make sure I don't have any political desires of any kind, believe me."

— Lee A. Iacocca



augment its profits for the next two years by entering new market segments.

These include the luxury segment with a new vehicle, code-named the "C-ent," to be built at the Belvidere, Illinois, plant in 1987.

"You stretch a minivan, you add \$500" in profits, he said. Adding a V-6 engine adds another \$500, he said.

"You put out an intermediate, sporty coupe. You put out convertibles. That's a whole lot of money," Mr. Iacocca said.

"Then we come out with a whole Belvidere plant that can build maybe 230,000 a year of luxury cars if we could sell all of them."

Chrysler, he said, will also be "throwing the book at our truck business," giving more competition to General Motors Corp. and Ford Motor Co. in an area where Japanese competition is limited by a 25-percent import duty.

Analysts say trucks on average carry much higher profit margins than cars.

On other subjects, Mr. Iacocca said:

- Chrysler's \$3 billion cash reserves will be used to fund repurchases of the company's stock, a program that could be widened from the previously announced plan.
- The company should commit \$1 billion to making acquisitions in the technology area, Mr. Iacocca said, though "I don't have much to report" after 15 months of studying high-tech firms in the electronics and composites fields.
- The money could also be used for more acquisitions in the financial area to strengthen the company's Chrysler Financial Corp. subsidiary, which he said

COMPANY NOTES

British Aerospace PLC has won orders, totaling more than \$1.3 billion, for 18 Jetstream 31 light turboprop transport aircraft and 11 Brae-125 series 400 business jets. The Jetstreams were ordered by two unnamed U.S. airlines and the 125s by seven companies in three countries.

Hilton International Inc. has signed a 15-year contract with a renewal option to manage a 400-room hotel to be built in Beijing and called the Hilton International Beijing. The agreement was signed with Oriental Arts Building Co. of Beijing and the Indar group of Hong Kong.

Hutchinson Whampoa Ltd. and Tai Cheung Properties Ltd. plan to sell their holdings in the Hong Kong Sheraton Hotel for more than \$1 billion Hong Kong dollars (\$125.7 million), stockbrokers said.

Midland-Ross Corp. of the United States is selling its Elcom-Nita division in a management buyout for \$65 million, according to investors in Industry Group PLC of London, which is leading the financing arrangements.

Midland-Ross sold the U.S. Securities and Exchange Commission that it has bought an additional 970,800 shares of Borg-Warner Corp., increasing its stake to 12.4 percent from 11.3 percent. Minstar, the Minneapolis investment company of Lewis L. Jacobs, has said it may consider seeking control of the company.

New York Air, a unit of Texas Air Corp., said it was cutting fares by as much as 50 percent from Jan. 6 to Feb. 11 on some seats. Fares from Washington to Boston, Detroit and Hartford, Connecticut, were cut to \$29 from \$89 during peak hours and \$59 off peak. Fares between Washington and points in Florida were lowered to \$49 Monday through Thursday and \$69 Friday through Sunday, from around \$149 at peak times and \$129 off peak.

Nomura Securities Co., the world's largest brokerage house, has acquired a half interest in East-ell Realty Inc., a real estate investment banking firm, for more than \$50 million. As part of the agreement, Eastell will serve as Nomura's real estate investment arm in the United States.

Overseas Union Bank Ltd. said it has uncovered fraud involving letters of credit in its main Hong Kong branch. Reports have been made to the banking commissioner and other authorities in Hong Kong and investigations are in progress, it said.

Racal Electronics PLC said in London that it has agreed to buy out the 15-percent interest of Millicom Inc. and 5-percent interest of Hambros Advanced Technology Trust in Racal-Millicom Ltd. for a total of \$160.9 million.

U.K. Examining Share Holding In Guinness

LONDON — Guinness PLC said Monday that the British government has ordered an investigation into ownership of the distillery giant.

A Guinness statement said that the subsidiary, Down Nominees Ltd., held 2.15 million shares of Guinness in May after Guinness won a bitter takeover fight for Duilliers Co., the Scotch whisky maker.

Guinness, which is under investigation by the Trade and Industry Department for alleged insider trading, said no further announcements on the share dealings would be made while the inquiry continued.

Henry Ansbacher's managing director, Lord Spence, said that his bank had sold its Guinness shares to Morgan Grenfell & Co., the merchant banker that advised Guinness during the Distillers takeover.

The government first ordered an investigation into Guinness' affairs on Dec. 1.

STEEL: Service Centers Are Victims of Own Success

(Continued from first finance page)

can't believe what they were in 1981," said Andrew G. Sharkey, president of the association. "That has had an impact on our members. Service centers have been trying to control their costs, but transaction prices have declined, expenses have climbed and companies are getting fewer gross margin dollars."

Not that service centers are idle. The institute predicts that the level of shipments this year will rise to 21.7 million tons (19.5 metric tons), making 1986 the third consecutive year of record shipments.

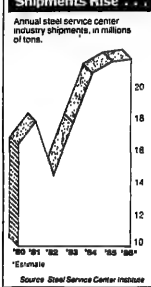
"Manufacturing companies don't want to keep inventory around because they think it's risky, and they don't want to pay their people 21 bucks an hour to move it around," Mr. Sharkey said.

But the outlook for some important customers is not strong, either.

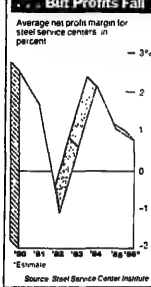
"After record levels in 1986, declines in automotive and appliance production seem virtually inevitable," Mr. Sharkey said. "And only slight improvements are anticipated for the energy, agricultural and mining sectors — all of which have been at rock-bottom levels since 1984."

The decline in profitability has

Shipments Rise



But Profits Fall



been particularly hard for smaller companies that have less capital to fall back on. But the impact has also been felt by larger centers.

"Things are just not so robust as they were," said David N. Deussen, president of Deussen & Davis, a medium-size service center based in Clifton, New Jersey. "Our order books have dwindled down since October. I think that, to some extent, it is uncertainty by manufacturers over changes in tax laws. But a decline in orders, along with the decrease in selling prices, have made things extremely tough."

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OPENING OF A SHORT TERM COMPARTMENT AND REMOVAL OF THE EXIT FEE

The société de gestion d'EUROPE OBLIGATIONS adopted at its September 26, 1986 Board meeting, in agreement with the fund custodian, a revision of the prospectus of EUROPE OBLIGATIONS, the change taking effect on January 1st, 1987. The main feature of the revision is the opening of a short term compartment in the fund. The fund will then include:

- a short term compartment, offering an ECU short term performance,
- a long term compartment, composed of the present fund.

Furthermore, the exit fee will be removed at the same date. The fund will now have the following denomination:

EUROPE OBLIGATIONS

FONDS COMMUN DE PLACEMENT
A COMPARTIMENTS MULTIPLES
LIBELLÉ EN ECU
Luxembourg.

This measure reflects the Board's desire to provide subscribers and units holders with a modern instrument enabling them to change their position at any moment in accordance with their view of the markets' evolution, by converting one compartment's units into those of the other at no charge.

Starting on January 1st 1987, holders will be able to exchange their existing certificates (coupons n° 14 and following attached) for EUROPE OBLIGATIONS LONG TERME certificates (coupons n° 1 and following attached) at any of the following institutions:

- Caisse d'épargne de l'Etat du Grand-Duché de Luxembourg,
- Banque de l'Union européenne,
- Banque générale du Phénix,
- Caisse centrale des banques populaires,
- Caisse des dépôts et consignations,
- Deutsche Girozentrale - Deutsche Kommunalbank.

The revised prospectus of EUROPE OBLIGATIONS has been published in French in the Mémorial, journal officiel du Grand-Duché de Luxembourg, dated December 19, 1986. It is available at the institutions listed above.

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CURRENCY MARKETS

Dollar at 5-Year Low Against Mark

Compiled by Our Staff From Dispatches

NEW YORK — The dollar tumbled to a five-year low against the Deutsche mark Monday in New York and fell below 160 yen. Dealers said President Ronald Reagan's upcoming surgery would prevent any reversal until early 1987.

European markets reopened after a one-day Christmas closure for most of them, and post-holiday trading remained very light. New York foreign exchange markets opened Friday but bullion markets were closed.

London dealers attributed the dollar's decline to expectations of a gloomy economic outlook in the United States in early 1987.

But Daniel Holland, vice president at Discount Corp. of New York, said there is hesitancy to take any long [long] positions in the dollar pending Reagan's surgery Friday.

Mr. Reagan is scheduled for prostate surgery through no complications are anticipated, but the possibility of the U.S. president being incapacitated is enough to send the dollar down.

Mr. Holland also said the dollar slipped in the absence of central bank intervention over the holiday, and he expects the monetary authorities will try to strengthen the dollar next week.

He noted remarks by the West

London Dollar Rates

Currency	Unit	Value
Deutsche mark	100	1.4950
Japanese yen	100	159.60
Swiss franc	100	1.4850
French franc	100	1.4850
British pound	100	1.4850

German Bundesbank president, Karl Otto Pöhl, that any further depreciation of the dollar would be harmful to the West German economy.

Satoshi Sumita, head of the Bank of Japan, said 150-160 yen was tolerable for Japan. But most dealers believe the recent agreement between the United States and Japan to stabilize rates calls for a stronger dollar.

In New York, the dollar closed at 159.55 yen, down from 159.80 on Friday. At 1:45 PM, down from 159.80, it was at 159.55.

In London, it closed at 1.4850, down from 1.4875; and as 1.483 Swiss franc, down from 1.487. The pound rose to \$1.468, from \$1.457.

In London, it closed at 1.4850, down from 1.4875; and as 1.483 Swiss franc, down from 1.487. The pound rose to \$1.468, from \$1.457.

The British pound, meanwhile, ended lower on a cross-rate basis on the back of the weaker dollar.

(UPI, Reuters)

U.S. Treasury said the dollar's decline was a "normal" reaction to the news of Reagan's surgery.

He noted remarks by the West

STOCKS:

January Effect

(Continued from first finance page)

taxable income increases from 50 percent to 100 percent, up to a total of \$3,000.

On the other hand, there is evidence that taxes have little to do with the January effect. Studies have found that it also occurs in Britain, Australia, Canada and Japan, even though some of them have a different tax year.

Mark R. Reingruber, associate professor of finance at the University of Southern California, found that the London Stock Exchange has both an "April effect," which is consistent with Britain's tax year, and a January effect. That he said, "is a contradiction."

Additionally, Mr. Keim discovered that Australia had two seasonal size effects, one in July, when the tax year begins, and another in January.

A question much on the minds of investors is how to profit from the effect, but the obvious answer, to buy small company stocks for January, may not be the right one, experts say.

The January effect says that relative to large-company stocks, small-company stock returns are going to do well. Mr. Keim pointed out that small company stocks are going to move higher every January. "So to hedge yourself," he said, "what you want to do is just play on that differential."

One strategy is to play the expected spread between small-company stocks and large-company stocks. Investors have done this by buying a futures contract based on the Value Line Stock Index, which overrepresents small firms, and selling short the future on Standard & Poor's 500 Stock Index, which tends to track the movement of large companies.

In the few years Mr. Keim has been playing the spread he has managed, on average, to double his money. But, as this strategy has become more popular, he said, the returns have decreased.

Playing the spread "is not as risk-free as some might think," Mr. Keim cautioned. Last year, for example, he sold his small company stock before a major market downturn on Jan. 7. Investors holding index futures before that date, he said, stood to lose \$1,500 to \$2,000 per spread.

COMMODITIES

Oats Futures Soar as Output Declines

By Don Peterson

United Press International

CHICAGO — Oat futures, which had shown little activity in recent years, have come into their own at the Chicago Board of Trade.

U.S. prices have risen steadily since early 1986, and the trend is likely to continue, analysts say. Low production and a lack of quality oats, coupled with an abundant supply of corn, recently made oat futures contracts more expensive than soybean contracts.

When December contracts came due on the 19th of the month, oats fetched \$1.715 a bushel, compared with \$1.515 for the same month's corn futures. Last week, the March contract was trading at around \$1.550, while the March corn contract was back up to \$1.625.

Longtime traders said they could not remember when the spot oat contract was higher than the similar contract in corn.

Jay Homans, an independent trader and a broker who has been

dealing in oats for 13 years, said commercial participation in the market has been tremendous, encompassing a broad cross-section of traders.

He attributed the recent surge in price and volume to a number of factors, starting with the recent farm bill.

"What the bill did," he said, "was present the farmer with an option where he could do much better and make more money with anything but oats, so most of the farmers who have grown oats have now barley this year."

That meant reduced oat production. In some cases, adverse weather conditions contributed to poor-quality crops, which helped drive up prices.

"It is still not certain whether the higher prices will entice farmers to plant more oats next year," he said. "Producers will be looking at the high price, but I don't think it will be a safe assumption to say that farmers will sow more oats."

Mr. Homans said, "I don't think there will be much of a change until historical high," the Soviets have shown they can do it alone."

Daniel Bond, Soviet specialist at Wharton Econometrics, added that in terms of U.S.-Soviet relations this would certainly be a constructive step. He noted that Moscow might call for American equipment to help lower unusually high Soviet production costs.

Despite the decline in world oil prices, the Soviet Union maintains ambitious plans for oil and gas development. The five-year plan calls for an additional 10 percent increase in the 1986-90 capital investment budget for oil and gas, on top of a 31 percent rise for 1986. Drilling in western Siberia is expected to increase by 25 percent this year.

Against the increased activity for the Soviet Union, drilling expenditures in the United States have fallen by 70 percent this year.

Roger W. Robinson, former senior director for international economic affairs at the National Sec-

urity Council, noted in remarks before a U.S.-Soviet trade forum in September that Moscow would probably seek American support for an offshore oil development project in the Barents Sea and possibly for other Soviet energy projects as well.

He also said he expected the Soviet Union to ask for a one-year "trial" waiver of the Jackson-Vanik and Stevenson amendments to the Trade Act of 1974, which link American-Soviet trade to free Soviet emigration.

Maintenance of the oil and gas controls contrasts with the decision of President Ronald Reagan early in his first term to end Jimmy Carter's embargo on grain sales to the Soviet Union as both ineffective and harmful to American farmers.

More recently the administration has offered Moscow subsidized grain, removed restrictions on air service, and announced plans to end bans on imports of both Soviet nickel and fur skins.

Excluding Soviet grain pur-

EC Rejects Plan By Japan to Ease Tariff on Liquor

Reuters

BRUSSELS — The European Community rejected Monday a Japanese proposal to ease its tariff on liquor as part of a package that Tokyo had hoped would defuse charges of unfair taxation on wines and spirits.

The EC and the United States have repeatedly criticized Japan's tariff system. The tax is up to 220 percent on whiskey and 50 percent on quality wines.

An EC official said that, under the plan the government would present to the Diet, or parliament, next month, the tax on liquor will be cut at least 13 percent. But he said the cut was not nearly enough.

He said the EC still planned to bring its case against Japan to GATT, or the General Agreement on Tariffs and Trade, in January.

THE EUROMARKETS

Secondary Sector Trade Quiet

By Christopher Pixey

Reuters

LONDON — Secondary market trading in the European market ended little changed Monday from the levels seen before Christmas, and dealers predicted that the area would remain quiet until the New Year.

However, the primary market saw some activity, with two new dual-currency bonds being issued. Also launched was a new tranche issue totaling 900 million DM for Deutsche Bank Finance NV.

Additionally, in the domestic market sector, the Bundesbank launched the traditional year-end bond on behalf of the West Ger-

man government. It totaled 4 billion DM.

Lead manager for both the yen issue was Nomura International Ltd. The largest was a standard dual-currency bond for Morgan Guaranty Trust Co. of New York's Nassau branch.

The 16 billion yen issue pays 7 percent over five years and was priced at 101 1/4. It will be redeemed in U.S. dollars at an exchange rate of 165.5 yen to the dollar.

The other issue was a 6 billion yen bond for Japan Newco Inc. Lavoire International SA, guaranteed by BNFL. The 10-year issue pays 10 1/2 percent for the first five years and then 7 1/2 percent for the last five.

U.S. M-1 Rises

By \$1.6 Billion

Reuters

NEW YORK — The narrowest measure of the U.S. money supply, M-1, rose \$1.6 billion to a seasonally adjusted \$722.5 billion in the week ended Dec. 15, the Federal Reserve said on Monday.

The previous week's M-1 level was revised to \$720.9 billion from \$720.7 billion, while the two-week moving average of M-1 rose to \$719.9 billion from \$716.6 billion. M-1 includes cash in circulation and checking accounts.

The increase was greater than had been expected, with economists projecting M-1 to rise about \$1 billion.

Monday's OTC Prices

NASDAQ prices as of 4 P.M. New York time

Via The Associated Press

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